



**Pacific Gas and  
Electric Company**

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**Les Guliasi**  
Director  
State Agency Relations

Mail Code B29L  
Pacific Gas and Electric Company  
P.O. Box 77000  
San Francisco, CA 94177-0001

415.973.6463  
Fax: 973.9572

March 17, 2006

**ELECTRONIC DELIVERY**

California Energy Commission  
Dockets Unit  
Attn: Docket No. 06-BAP-1  
1516 Ninth Street, MS-4  
Sacramento, CA 95814-5512

**Re: PG&E's Comments on the Draft Report: Recommendations for a  
Bioenergy Action Plan for California**

Pacific Gas and Electric Company (PG&E) respectfully submits the attached  
Comments on the Draft Report: Recommendations for a Bioenergy Action Plan for  
California.

Thank you for considering our comments. Please feel free to call me at  
(415) 973-6463 if you have any questions about this matter.

Sincerely,

Les Guliasi

Attachment

## **PG&E's Comments on the Draft Report: Recommendations for a Bioenergy Action Plan for California**

PG&E commends the Bioenergy Interagency Working Group, Navigant Consulting, and the California Energy Commission on the preparation of the Draft Recommendations for a Bioenergy Action Plan for California (Report). PG&E agrees with the Report's general assertion that "Bioenergy provides a range of strategic, energy, economic, and environmental benefits to the people of California."<sup>1</sup> PG&E has a long history of incorporating biomass energy into its energy portfolio and currently purchases over one-third<sup>2</sup> of its Renewable Portfolio Standard (RPS) portfolio from 24 of the 28 biomass plants in California. PG&E offers the following comments and suggestions on the Report's recommendations.

One key element in the report is its proposal for statewide biomass targets. The report "recommends the establishment of appropriate but achievable targets for increasing the production and use of bioenergy,"<sup>3</sup> and suggests that "the Governor's Office consider issuing an Executive Order [to] target the development of 1,500 MW of new biopower capacity by 2020..."<sup>4</sup> PG&E appreciates the interest in setting goals as a standard for measuring success; however, as discussed further below, the establishment of a goal does not justify the initiation of a proceeding exclusively dedicated to biomass-fueled resources and an accompanying portfolio standard with biomass, specific targets and associated penalties. This could overly complicate the existing RPS compliance

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<sup>1</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 20

<sup>2</sup> PG&E Power Content Label, PG&E website,  
[http://www.pge.com/customer\\_service/bill\\_inserts/2006/jan.html](http://www.pge.com/customer_service/bill_inserts/2006/jan.html)

<sup>3</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 31

<sup>4</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 36

program and potentially set objectives in conflict with the RPS goals of procuring renewable resources in a least cost best fit manner. To eliminate this potential for conflicting objectives, the report should clarify that any biomass goals will not be enforced with penalties. PG&E believes 1,500 MW is ambitious, that it would be counterproductive to impose penalties on the IOUs for not meeting this type of stretch goal, and suggests there are many reasons such a goal may not be met, almost all of which are outside PG&E's control. Finally, a mandated target, including any form of biomass set aside in the RPS program, strips away flexibility for the utilities to develop a diverse portfolio of renewable resources based on market characteristics, and the threat of a penalty also has the tendency to exacerbate price escalation in response to utility demand for a limited resource.

With regard to the state's involvement in supporting an environment in which the above-mentioned targets can be met, the report suggests seven guiding principles. PG&E comments on two principles of particular interest. First, the report suggests the state should "recognize the full value of the biomass resource including the value associated with the resource adequacy (RA) component of biopower." PG&E already has taken action by including the effect of period of energy delivery in its determination of the time-of-day (TOD) factor for the 2006 RPS Solicitation, which gives greater energy value to resources delivering during peak periods. "An offer that provides reliable capacity that serves to meet PG&E's forecasted short positions will score higher than a comparably priced offer that provides less reliable capacity or that provides power during periods when PG&E is long and may be required to remarket the power."<sup>5</sup> PG&E also

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<sup>5</sup> PG&E RPS Solicitation Protocol, August 4, 2005, pg 27

incorporates RA values into its RPS bid evaluation in recognition that such resources will count towards satisfying RA requirements.

Another guiding principle is to “gain access to biomass resources at reasonable prices.”<sup>6</sup> PG&E believes that improved access to forest and agricultural fuel supplies is critical. As such, we support RPS Supplemental Energy Payment (SEP) funds eligibility for projects with fuels obtained from federal lands whether or not the fuels are obtained through the Healthy Forest Initiative, as was proposed in the workshop. PG&E also strongly supports the report’s suggestion of “increasing diversion and use of suitable biomass materials from municipal waste streams to boost fuel supplies.”<sup>7</sup>

The report moves on to more specific recommendations in its Recommended Tier 1 Actions for 2006, and states that the Governor should consider issuing an Executive Order requesting “the CPUC to work diligently to preserve the operational status of existing biopower facilities.” PG&E thinks that the attention to the state of existing biomass facilities is warranted, however, cautions against preserving the status of individual developments at any cost.

The report also proposes “the CPUC initiate a proceeding to develop mechanisms that reward biopower for the range of benefits it provides...”<sup>8</sup> Because biomass is considered a renewable resource under California’s RPS statute and renewables are currently being addressed in two rulemaking proceedings (R.04-04-026, R.06-02-022), PG&E recommends against opening a new biomass-exclusive proceeding, and instead suggests that the bioenergy industry make its proposals by participating in R.06-02-012, the proceeding to consider additional methods of implementing the California RPS

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<sup>6</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 34

<sup>7</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 34

<sup>8</sup> Draft Recommendations for a Bioenergy Action Plan for California, page 37

program. It is critical that the IOUs hear from the biomass industry, and PG&E believes that the current RPS implementation proceeding would serve as an adequate forum. Opening a new proceeding would create the risk that the development of biomass resources would occur at the expense of other renewable technologies.

To the extent the industry is looking for small changes to existing RPS policy, the existing proceeding could accommodate such changes. To the extent that the industry is looking for additional preferential treatment, PG&E recommends that the most appropriate and effective means to enhance California's biomass development and "provide biopower with long-term power purchase agreements" is to even the playing field with equal application of the Federal Production Tax Credit (PTC). Because this effort would be carried out on a federal level, PG&E recommends that the CPUC take a position on this issue with its California delegates and push for a change in the Federal PTC.

PG&E has some concerns related to various comments made at the workshop to expand the current net metering program for biogas generators beyond its current scope. Public Utilities Code section 2827.9 provides the parameters of the current tariff offered by PG&E. The Legislature created the program to provide net metering for qualifying customers seeking to meet part or all of their own electricity needs with their biogas digester generator. (A special provision just for dairies, the load eligible for net metering can include that of multiple dairy accounts located at the dairy.) To the extent that biomass generators produce more energy than they need on site over the course of the year, PG&E believes participation in the RPS, as discussed in more detail above, makes more sense for such power producers.

PG&E supports many of the more general proposals in the report, including the call for increased public education for biomass resources and the creation of a web-based database with a comprehensive listing of subsidies, tax programs, and other public funding sources available to the biomass industry. Increasing the amount of information available to operators, developers, financiers, utilities and non-governmental organizations, will undoubtedly benefit everyone involved with the industry.

PG&E thanks the Bioenergy Interagency Working Group, Navigant Consulting, and the California Energy Commission for allowing comments on this Report.